



HIGHER EDUCATION BRIEFING



Presenters

- **BRIAN NOLAND**, Associate Executive Director
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- **JOHN PETERSEN**, President
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- **CHARLES MANNING**, Chancellor
Tennessee Board of Regents
- **BOB ADAMS**, Vice Chancellor for Finance
Tennessee Board of Regents
- **CHARLES PECCOLO**, Treasurer
University of Tennessee



Philosophy

- The Governor and General Assembly recognize that a strong higher ed system is vital to developing a skilled workforce
- Skilled workforce is key to attracting high-quality jobs and improving quality of life

**Higher Ed
System**

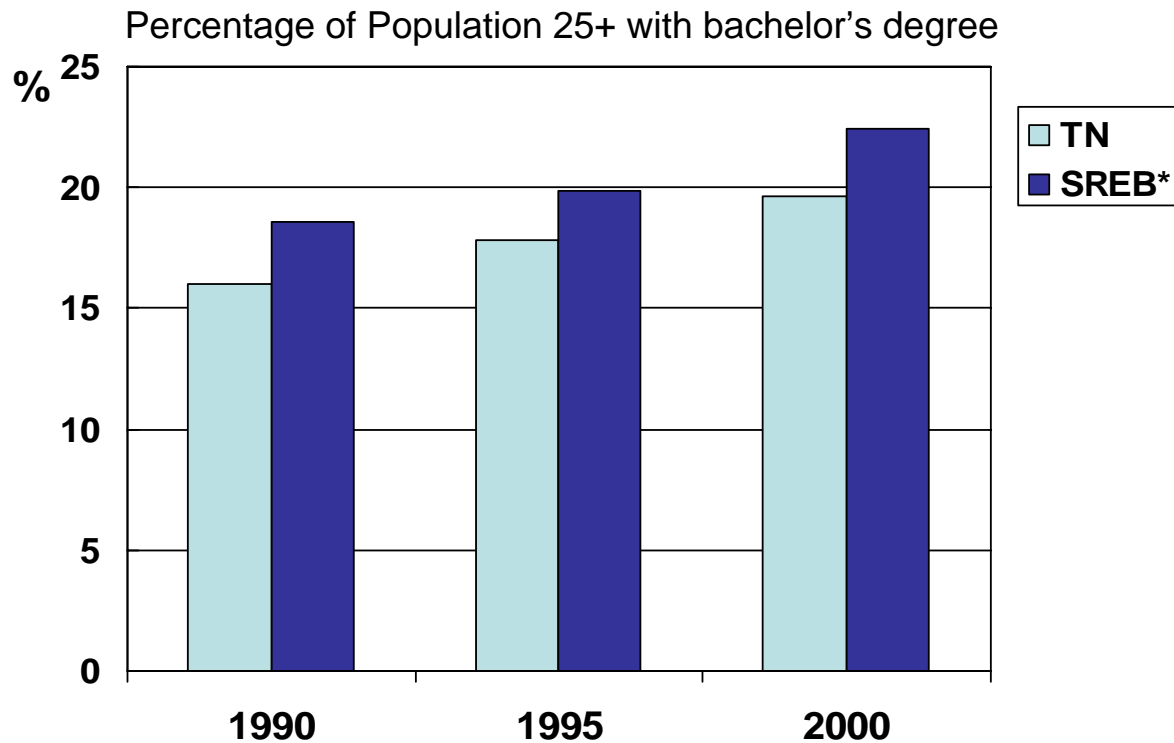


**Workforce
Development**



Philosophy (cont'd)

Higher ed is critical to Tennessee's future



* Average, Southern Regional Education Board states



Overview

Tennessee's student body at a glance

2002	ACT	SAT
Tennessee	20.0	1117
U.S. Average	20.8	1020

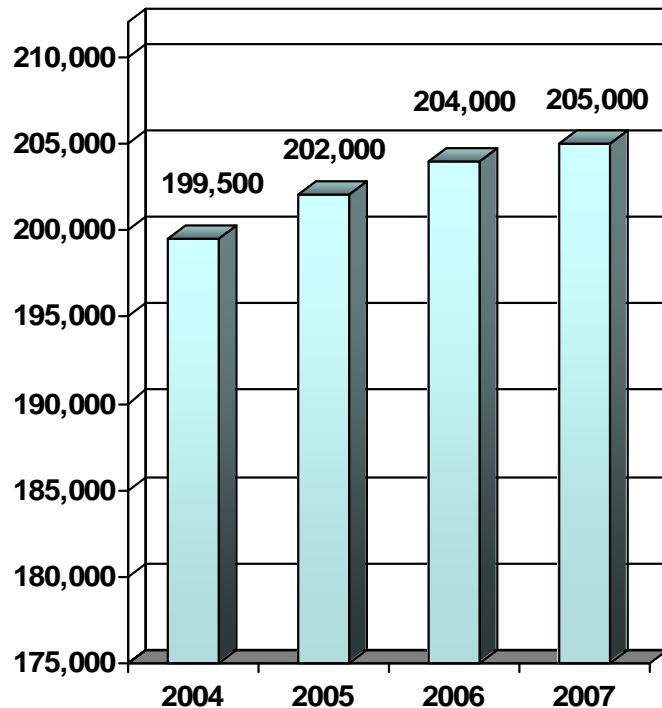
**TOTAL
ENROLLMENT
Fall 2003**
195,000

2003 PROFILE	%
Undergraduate	88
Graduate	12
Full Time	64
Part Time	36
Men	41
Women	59
White	79
Black	18
Frosh	18
Adult Undergrad	32



Overview (cont'd)

Statewide, enrollment is on the rise



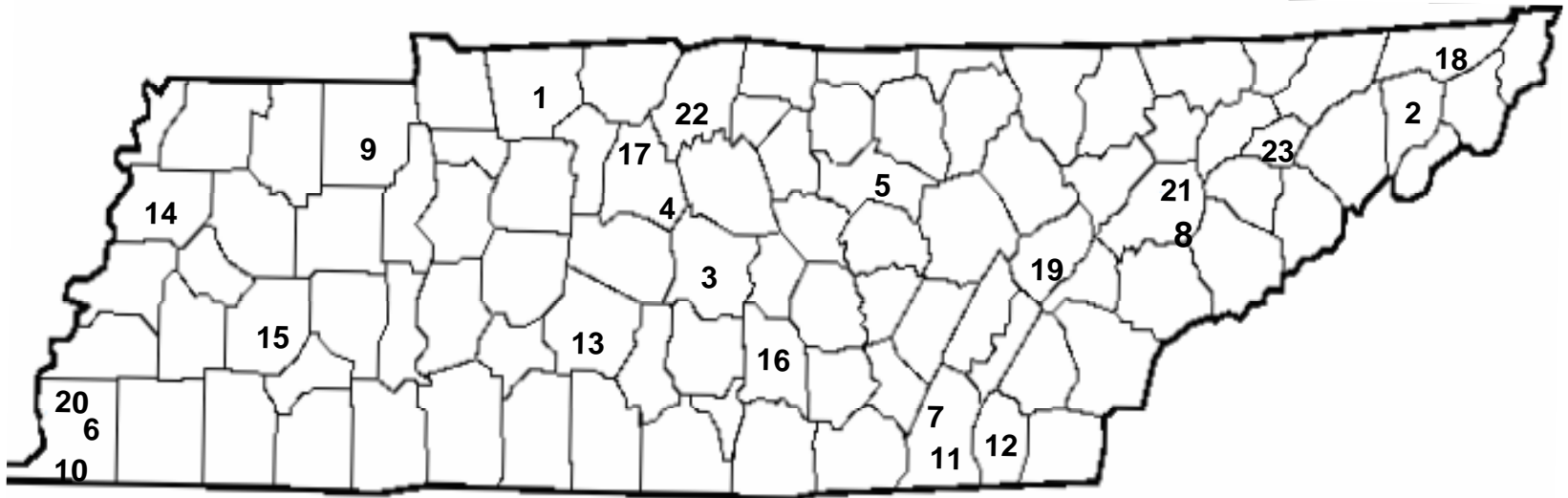
Tuition is rising, but remains affordable

TUITION*	2003-04
Missouri	\$6,558
Virginia	5,964
Arkansas	4,768
Kentucky	4,546
TENNESSEE	4,450
Alabama	4,134
Georgia	4,078
North Carolina	4,072
Mississippi	3,916

Neighboring states, flagship universities



Overview



- | | |
|--|--|
| 1 Austin Peay State University | 13 Columbia State Community College |
| 2 East Tennessee State University | 14 Dyersburg State Community College |
| 3 Middle Tennessee State University | 15 Jackson State Community College |
| 4 Tennessee State University | 16 Motlow State Community College |
| 5 Tennessee Technological University | 17 Nashville State Tech. Community College |
| 6 University of Memphis | 18 Northeast State Tech. Community College |
| 7 University of Tennessee at Chattanooga | 19 Roane State Community College |
| 8 University of Tennessee at Knoxville | 20 Southwest Tennessee Community College |
| 9 University of Tennessee at Martin | 21 Mississippi State Tech. Community College |
| 10 University of Tennessee Health Science Center | 22 Volunteer State Community College |
| 11 Chattanooga State Technical Community College | 23 Walters State Community College |
| 12 Cleveland State Community College | |



Funding Formula

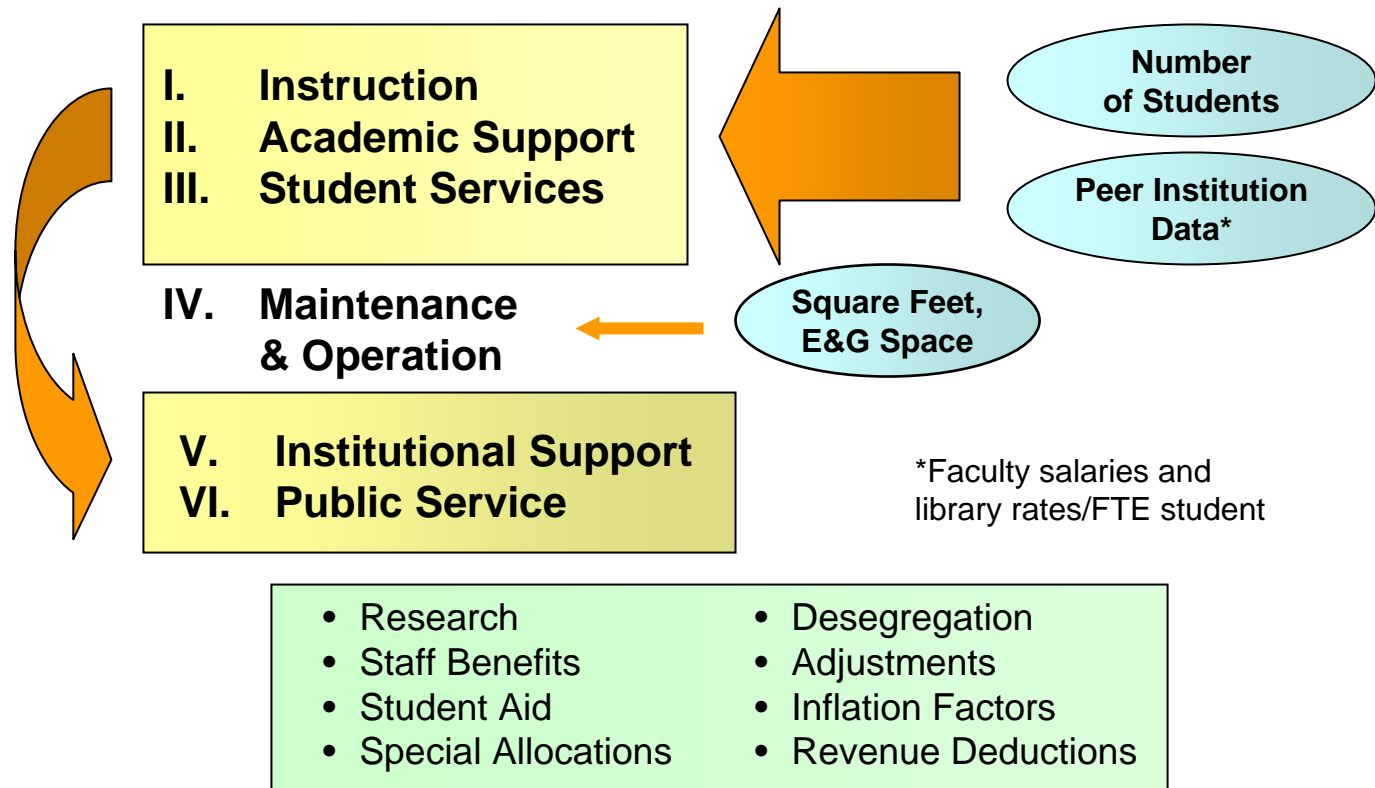
Tennessee's higher education investment is governed by a THEC formula designed to:

- Adequately reflect the needs of public higher education
- Provide for an equitable distribution of resources
- Recognize different institutional roles and missions
- Be compatible with statewide goals for access, desegregation, quality and performance evaluation



Funding Formula (cont'd)

Major components of the THEC formula include:





UT - Overview



- **INSTITUTIONS:** Three major universities (Knoxville, Chattanooga, Martin)
- **ENROLLMENT:** 42,000
- **ANNUAL BUDGET:** \$1.3 billion
- **FACULTY:** 1,883



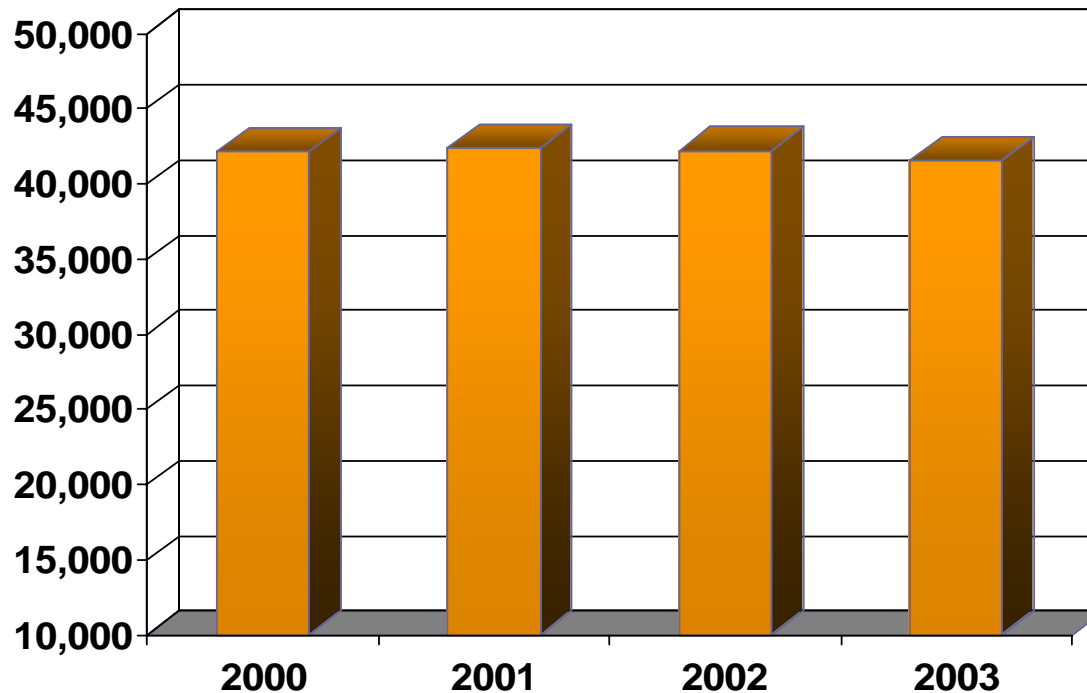
UT - Mission

- **Provide high-quality undergraduate and graduate education** to prepare the next generation of skilled professionals
- **Teach and conduct research** in order to improve human and animal health, increase agricultural productivity and conserve natural resources
- **Partner with government and industry** to develop new technologies and serve as an engine for economic development
- **Work with communities** to develop cultural assets and improve quality of life



UT - Enrollment

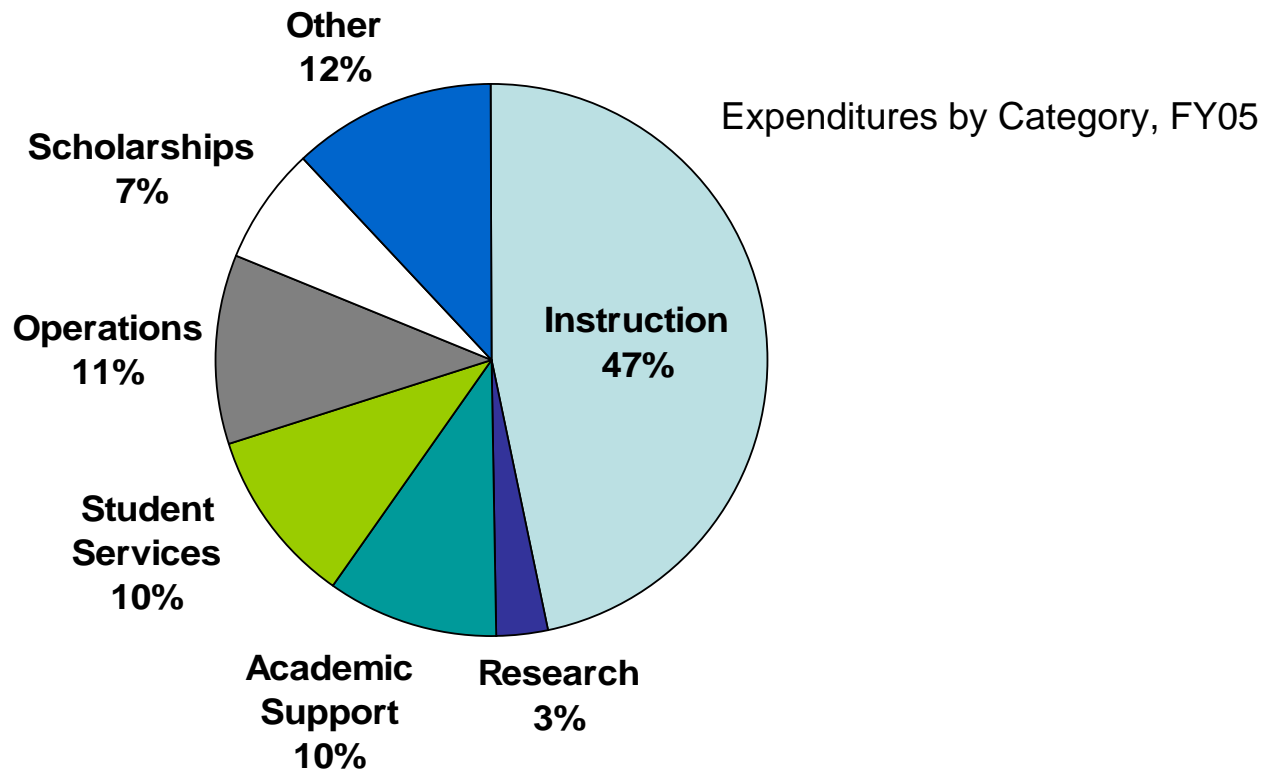
Total enrollment is holding steady





UT - Budget

Where the money goes





UT - Initiatives

Major FY05 initiatives include:

- Identify future **areas of excellence**
- Move **intellectual property and technology** into the private sector
- **Create and enhance business partnerships** to advance research and stimulate economic development (i.e. partnership with Battelle to manage Oak Ridge National Laboratory)





TBR - Overview

- **INSTITUTIONS:** Six major universities, 13 community colleges and 26 technology centers
- **ENROLLMENT:** 180,000
- **ANNUAL BUDGET:** \$1.6 billion
- **FACULTY:** 3,141 (four-year institutions), 1,640 (two-year institutions)





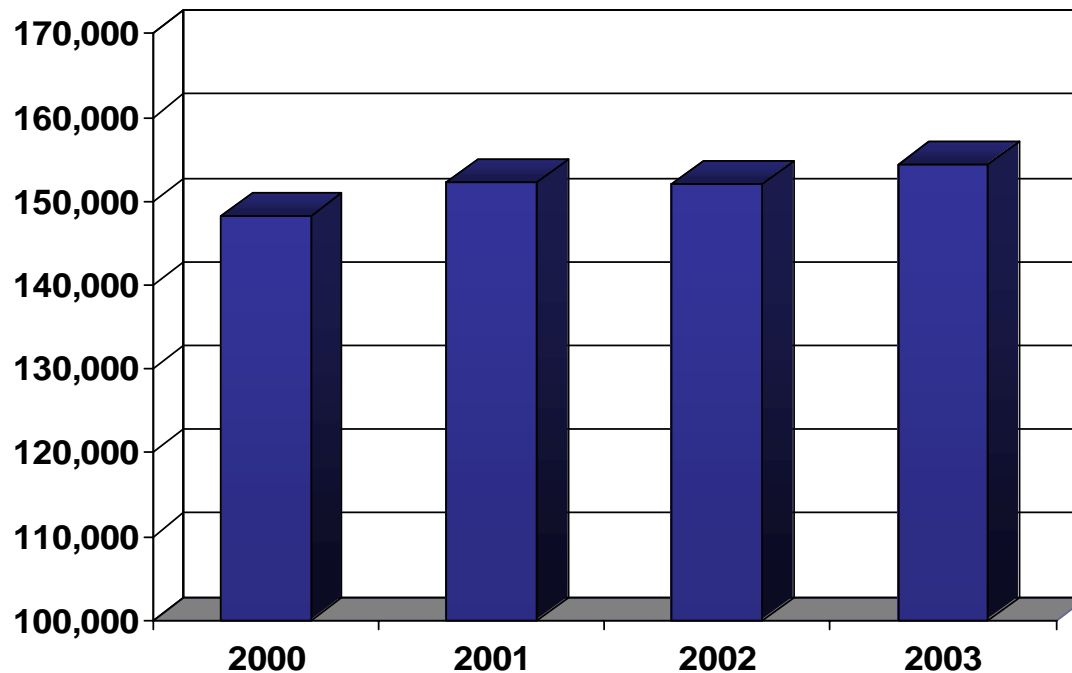
TBR - Mission

- **Provide high-quality undergraduate and graduate education** to prepare the next generation of skilled professionals
- **Develop partnerships with K-12 educators** to enhance the quality of public elementary and secondary education
- **Develop partnerships with business and industry** to ensure a well-trained workforce
- **Ensure orderly course transfer and articulation** for students moving between institutions



TBR - Enrollment

Total Enrollment is climbing

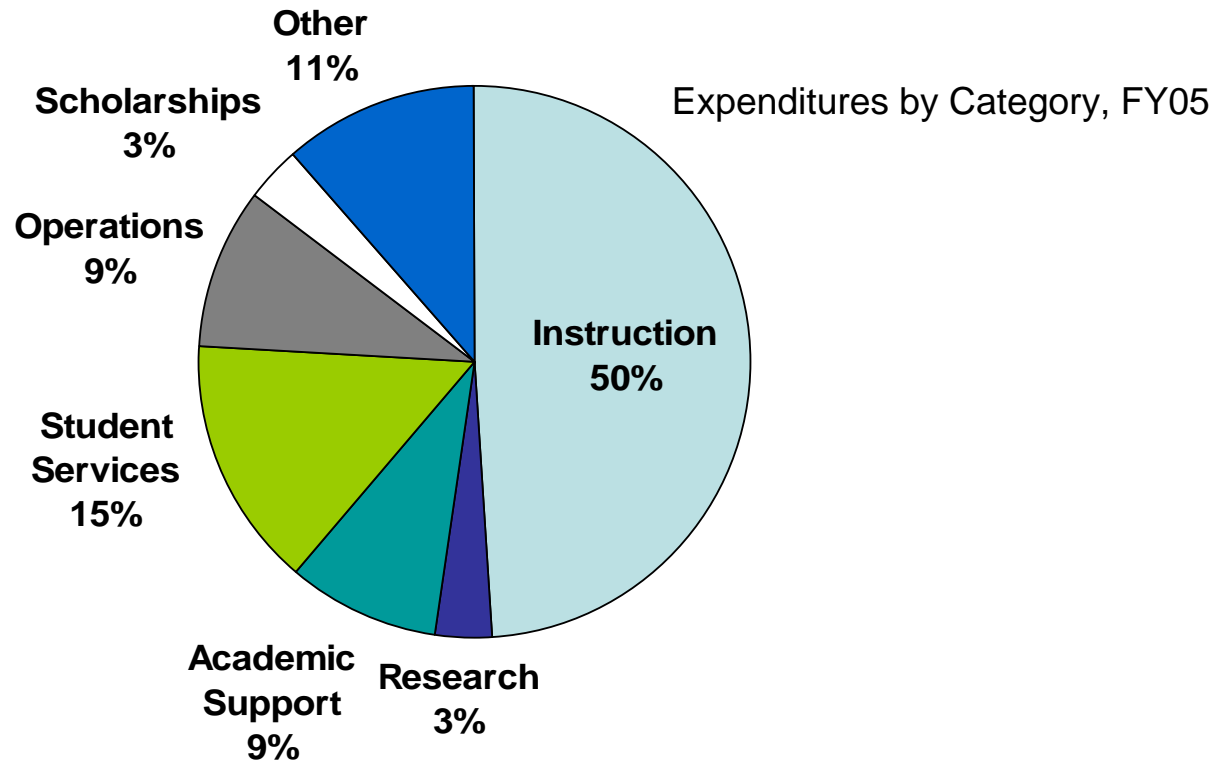


TBR capacity provides primary opportunity for new enrollment in Tennessee



TBR - Budget

Where the money goes





TBR - Initiatives

Major FY05 initiatives include:

- Continue developing online degree programs with an emphasis on **teacher education and nursing**
- Seek and gain **external research support** and commercialize intellectual property
- Increase regional and local linkages with **K-12 schools** and **economic and workforce development programs**
- Begin implementing **integrated system** for student records, financial and personnel



Debt

Tennessee State School Bond Authority

Debt Outstanding as of June 30, 2004

Long-Term	\$ 490,836,000
Commercial Paper	<u>32,156,000</u>
Total Debt	<u>\$ 522,992,000</u>

Projects Financed with Commercial as of June 30, 2004

Projects Approved*	\$ 215,885,740
Less: CP Issued	<u>(25,872,154)</u>
Net to be Issued	<u>\$ 190,013,586</u>

*Total projects approved not taken to long-term debt

Projects Disclosed in the Budget To Be Approved by TSSBA

Fiscal Year	Disclosed	To Be Approved
2003-2004	\$ 99,450,000	\$ 5,850,000
2004-2005	180,622,500	<u>155,832,500</u>
Total		<u>\$ 171,682,500</u> *

* \$81,031,000 of this total will be considered for approval on July 26, 2004



Debt (cont'd)

Security for the bonds

- Institution must have in place fees and charges equal to 2x the debt service (the “Annual Financing Charge”) on all projects financed through the Authority
- System Board must pay annual administrative charges for each institution that has a loan from the Authority
- Should funds be unavailable for payment of the Annual Financing Charge, the System Board must deduct from amounts appropriated by the General Assembly for the operation and maintenance of the Institution the amount required to pay the Annual Financing Charge
- Should the System Board fail to perform this action, the Commissioner of Finance and Administration, upon notice by the Authority, must deduct from the amounts appropriated by the General Assembly for the operation and maintenance of the institution, the amount required to pay the Annual Financing Charge
- Each bond issue is further secured by a debt service reserve fund or debt service surety bond funded at the maximum annual debt service level, by project



Lottery

- Lottery-funded scholarships expected to **help prevent** “brain drain”
- Scholarships are **helping offset** a 7% tuition increase at state colleges and universities
- Long-range effects on enrollment **still unclear**



Possible Risks

- Population “bubble” anticipated to enter post-secondary institutions between 2005 and 2010
- Lottery’s long-range effects on enrollment still unclear
- Relatively low state investment per student could lead to future tuition increases